

Message Text

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21

ACTION EA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-04 NSC-05 RSC-01

CIEP-01 TRSE-00 SS-15 STR-01 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-01

SIL-01 DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06

AGR-05 SWF-01 /080 W
----- 089662

P R 131050Z NOV 74

FM AMEMBASSY VIENTIANE

TO SECSTATE WASHDC PRIORITY 1469

INFO AMEMBASSY BANGKOK

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E.O. 11652: N/A

TAGS: ECON, LA

SUBJ: WEEKLY ECONOMIC SITUATION REPORT (NOV 6-12)

1. TOTAL FOREIGN EXCHANGE SOLD THROUGH BANKS WEEK OF NOV 4 WAS \$833,000, SUBSTANTIALLY ABOVE PREVIOUS WEEKLY AVERAGES (\$504,000 SINCE INITIATION OF FX CONTROLS IN AUGUST) AND HIGHEST WEEKLY SALES LEVEL SINCE MID-JULY. OF FX SOLD, 24 PERCENT WAS FOR POL AND 17 PERCENT FOR RICE AND LIVESTOCK. REMAINING AMOUNTS OF EXCHANGE SOLD WERE FOR A FAIRLY WIDE VARIETY OF PURPOSES, INCLUDING SUBSTANTIAL AMOUNTS FOR INDUSTRIAL MACHINERY, BULLDOZERS, FERTILIZER, AND RAW MATERIALS FOR THE BEER AND SOFT DRINK PLANT RUN BY BRASSERIES ET GLACIERES DU LAOS (BGL).

2. THE FREE MARKET EXCHANGE RATE ROSE SIGNIFICANTLY (9 PERCENT) DURING LAST WEEK. ON NOV 13, MERCHANTS AND OTHER FOREIGN EXCHANGE DEALERS WERE BUYING DOLLARS FOR APPROXIMATELY 1,280 KIP PER DOLLAR AND
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SELLING FOR 1,300 KIP PER DOLLAR, UP FROM 1,180 KIP

BUYING AND 1,190 SELLING ON NOV 6. BAHT WAS BEING BOUGHT FOR 6,340 KIP PER 100 BAHT, SELLING 6,435 KIP.

3. USAID COST-OF-LIVING INDEX FOR VIENTIANE ROSE SLIGHTLY DURING PAST WEEK REFLECTING PRICE INCREASES IN CHICKEN, FISH, FISH SAUCE, EGGS, AND SOME FRUITS AND VEGETABLES.

USAID INDEX ON NOV 11 SHOWS FOLLOWING CHANGES:

PERCENTAGE INCREASE SINCE

NOV 4 JULY 17 END 73

GENERAL INDEX 0.7 15.3 54.1

RICE INDEX -0- 13.7 57.4

NON-RICE INDEX 0.8 15.7 53.3

4. THE CABINET HAS GIVEN APPROVAL FOR THE NATIONAL BANK OF LAOS (BNL) TO BEGIN ISSUING 5,000 KIP BANK NOTES. THE 5,000 KIP NOTES ARE ALREADY PRINTED AND WILL BE GRADUALLY INTEGRATED INTO MONEY SUPPLY AND SMALLER NOTES RETIRED. NATIONAL BANK BEGAN TO ISSUE THE NEW NOTES NOV 12.

5. REPORTED RECEIPTS OF DOLLARS BY THE NATIONAL BANK OF LAOS FOR LUMBER EXPORTS IN OCTOBER WERE \$257,000, THE FOURTH CONSECUTIVE MONTH THAT RECEIPTS FROM LUMBER EXPORTS HAVE DECLINED (FROM A LEVEL OF \$1.4 MILLION IN JUNE). FACTORS THAT APPEAR TO BE RESPONSIBLE FOR THIS DECLINE ARE: (A) SEASONAL FACTORS; (B) THE NEW LUMBER EXPORT REGULATIONS EFFECTIVE JULY 1974 THAT PLACED RESTRICTIONS ON CERTAIN TYPES OF WOOD EXPORTS; (C) THE WORLDWIDE DECLINE IN THE DEMAND FOR LUMBER; AND PRESUMABLY (D) THE NEW FOREIGN EXCHANGE CONTROLS, WHICH HAVE CREATED A SIGNIFICANT DIFFERENTIAL BETWEEN THE KIP RATE THE NATIONAL BANK PAYS FOR DOLLARS EARNED BY EXPORTERS FOR LUMBER AND THE RATE EXPORTERS CAN GET FOR DOLLARS IN THE FREE MARKET.

6. LOCAL PAPERS REPORT THAT THE PROPOSED VALUE OF AID BY THE THAI GOVERNMENT TO LAOS (SEE VIENTIANE 8273) WILL TOTAL 15 MILLION BAHT (APPROX \$750,000). THE BREAKDOWN FOR THE ASSISTANCE IS 5 MILLION BAHT FINANCIAL AID, AND 10 MILLION BAHT FOR COMMODITIES INCLUDING LIMITED OFFICIAL USE

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RICE, CEMENT, CLOTHING, SUGAR, REINFORCING RODS, AND OTHER MISCELLANEOUS ITEMS.

7. PRESIDENT OF THE JOINT NATIONAL POLITICAL COUNCIL, PRINCE SOUPHANNAVONG, IS REPORTED TO HAVE STATED THAT OF COMMODITY AID ARRIVING FROM SOCIALIST COUNTRIES AS A RESULT OF EFFORTS BY LAO AID-SEEKING MISSIONS, THREE-FIFTHS WOULD BE DESIGNATED FOR THE PATHET

LAO ZONE AND TWO-FIFTHS WOULD BE FOR THE
VIENTIANE-SIDE ZONE.

8. CONTACTS BY MISSION PERSONNEL WITH OFFICIALS
AT ELECTRICITE DU LAOS INDICATE THAT LABOR DIFFICULTIES
AT EDL ARE NOT YET RESOLVED (SEE VIENTIANE 8047). IT IS
REPORTED THAT SOME EDL EMPLOYEES ARE STILL NOT
REPORTING FOR WORK. STRIKERS COMMITTEE HAS NOT YET
BEEN DISSOLVED, AS HAD BEEN AGREED UPON BETWEEN THE
MINISTER OF PUBLIC WORKS AND EDL DIRECTORS, AND SOME
CONFUSION APPARENTLY EXISTS AS TO WHETHER EDL CREWS
SHOULD BE RECEIVING DIRECTION FROM EDL DIRECTORS OR
STRIKERS COMMITTEE.

9. DECONTROL FOLLOWING 11/13/75.
WHITEHOUSE

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